

Message Text

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ACTION ABF-01

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EO 11652: N/A

TAGS: AFSP, ETRD, PE

SUBJECT: GAO AUDIT: U.S. TRADE POLICY TOWARD LDCS

1. GAO AUDITORS NICOLAS CARBONE, JOSEPH VEIGA, AND THEODORE ALVES SPENT FOUR WORKING DAYS IN LIMA, NOVEMBER 22-27. THEY WERE BRIEFED BY THE AMBASSADOR, AID DIRECTOR, ECONOMIC/COMMERCIAL OFFICERS, AND THE AGRICULTURAL ATTACHE. THEY ALSO HELD DISCUSSIONS WITH ANDEAN PACT OFFICIALS, GOP REPRESENTATIVES, PERUVIAN AND U.S. BANKERS, LOCAL BUSINESSMEN, AND EXPORTERS ASSOCIATION.

2. VISIT PROVIDED OPPORTUNITY FOR WIDE-RANGING DISCUSSION OF TRADE ISSUES AT TECHNICAL-LEVEL OF GOP DURING LENGTHY MEETING WITH REPRESENTATIVES OF MINISTRIES OF FOREIGN RELATIONS, INDUSTRY, COMMERCE, AND ECONOMY AND FINANCE. MEETING SERVED AS FORUM FOR SERIES OF COMPLAINTS FROM FOREIGN MINISTRY AND FINANCE MINISTRY OFFICIALS WHO EXPRESSED THEIR CONCERN OVER ALLEGELY DISCRIMINATORY FEATURES OF THE TRADE REFORM ACT (TRA), INCLUDING, INTER ALIA: POSSIBILITY OF EROSION OF PREFERENCES, EXCLUSION FROM GSP BENEFITS OF COUNTRIES WHICH EXPROPRIATE U.S. PROPERTY WITHOUT ADEQUATE COMPENSATION, UNFAIR AND INCONSISTENT APPLICATION OF COUNTERVEILING DUTIES (WITH UNCLASSIFIED

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SPECIFIC REFERENCE TO CLOMBIAN CUT FLOWERS CASE),

INADEQUATE TREATMENT FOR LDC'S "INFANT INDUSTRIES," AND RELATIONSHIP OF EFFECT OF TRA TO MTN NEGOTIATIONS WITHIN GATT FRAMEWORK. GOP OFFICIALS ALSO EXPRESSED CONCERN OVER GROWING PROTECTIONISM IN U.S. DUE TO ECONOMIC RECESSION AND INCREASING UNEMPLOYMENT. SENIOR ECONOMIC AFFAIRS OFFICIAL OF FOREIGN MINISTRY ALSO MADE SPECIAL STATEMENT TO AUDITORS JUSTIFYING LDC'S DESIRE TO FORM PRIMARY PRODUCT PRODUCER-EXPORTER ASSOCIATIONS IN ORDER TO OBTAIN HIGHER "JUST" PRICES. THIS OFFICIAL EXPLAINED PERU'S REASONS FOR JOINING CIPEC AND PERUVIAN ROLE AS LEADING SPONSOR OF CLOSER COLLABORATION BETWEEN DIFFERENT PRODUCER-EXPORTER ASSOCIATIONS WITHIN NON-ALIGNED GROUP. HE EMPHASIZED THAT CONTRARY TO "POLITICAL" MOTIVATION BEHIND FORMATION OF OPEC, PERU BELIEVES THAT PRODUCER-EXPORTER ASSOCIATIONS CAN BE JUSTIFIED ON STRICTLY ECONOMIC GROUNDS, I.E., TO OBTAIN LONG-RANGE STABILITY IN THE SUPPLY OF RAW MATERIALS TO CONSUMERS AT "JUST AND REASONABLE" PRICE TO PRODUCERS. HE STRESSED THAT PERU SEEKS TO AVOID CONFRONTATION WITH CONSUMER COUNTRIES AND THAT, IN FACT, WITH FORMATION OF SUCH PRODUCER-EXPORTER ASSOCIATIONS, LDCS MAY FOR THE FIRST TIME BE IN A POSITION TO NEGOTIATE ON THE BASIS OF NEAR EQUALITY WITH INDUSTRIALIZED CONSUMER NATIONS, A FACT WHICH REINFORCES NEED TO RECOGNIZE INTERDEPENDENCE BETWEEN PRODUCER AND CONSUMER GROUPS. FINALLY, OFFICIAL CALLED FOR A "NEW INTERNATIONAL ECONOMIC ORDER," INCLUDING EQUITABLE PRICES FOR BOTH RAW MATERIALS PRODUCTS AND INDUSTRIALIZED COUNTRIES' MANUFACTURED PRODUCTS, USING AS A BASE PRICE INDICES WHICH WOULD REFLECT RELATIVE COST RELATIONSHIPS AND TAKE INTO ACCOUNT RATES OF INFLATION, HE DID NOT ELABORATE ON HOW SUCH AS INDEX MIGHT ACTUALLY BE CONSTRUCTED.

3. AUDITORS REPLIED IN GENERAL TERMS TO GOP OFFICIALS, NOTING NATURE OF THEIR STUDY AND FACT THAT THEY WERE NOT IN A POSITION TO RESPOND TO SPECIFIC POINTS ABOUT TECHNICAL NATURE OF TRA, BUT THAT PERUVIAN VIEWS WOULD BE CONTAINED IN THEIR FINAL REPORT. IN REGARD TO PRODUCER-EXPORTER CARTELS IN GENERAL AND OPEC IN PARTICULAR, THEY NOTED THAT THERE IS A BROAD BODY OF UNCLASSIFIED

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OPINION BOTH WITHIN CONGRESS AND THE U.S. PUBLIC AS WELL WHICH CONSIDERS ARTIFICIAL EFFORTS TO RAISE PRICES OF RAW MATERIALS IN A VERY NEGATIVE LIGHT AND THAT THESE VIEWS THEREFORE WOULD QUITE NATURALLY BE REFLECTED IN THE TRA.

4. EXPORTERS ASSOCIATION AND OTHER PERUVIAN BUSINESSMEN INFORMED AUDITORS ABOUT PERU'S INTEREST IN EXPANDING

NON-TRADITIONAL EXPORTS THROUGH SPECIAL TAX INCENTIVES AND REBATES AND PROBLEM WHICH PERUVIAN EXPORTERS IN THIS FIELD HAVE IN OBTAINING SUFFICIENT FINANCING TO ENTER MARKET IN EFFECTIVE MANNER. MENTION WAS ALSO MADE OF CERTAIN NTBS WHICH HAMPER PERUVIAN NON-TRADITIONAL EXPORTS, INCLUDING U.S. SANITARY REGULATIONS (DENIAL OF LICENSE FOR IMPORT OF SWORDFISH BECAUSE OF MERCURY CONTENT), AND LABELING REQUIRMENTS OF FDA (REFUSAL OF FDA TO CLASSIFY BONITO AS TUNA).

5. AUDITORS POSED QUESTIONS ALONG LINES IN STATE 228829 AND, WHILE ALSO INVESTIGATING INVESTMENT AND AID, THEIR CHIEF INTEREST WAS TRADE POLICY. PRINCIPAL INTEREST IN AID PROGRAMS IN PERU CENTERED ON NATURE AND EFFECTIVENESS OF HOUSING INVESTMENT GUARANTEE PROGRAM. AT ANDEAN PACT AUDITORS HAD FORTHCOMING AND USEFUL EXCHANGE OF VIEWS ON TRADE PREFERENCE SYSTEMS AND ON PENDING TRA.
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